

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:)	
)	
Incentive Auction of Upper Microwave)	
Flexible Use Service Licenses in the Upper 37)	
GHz, 39 GHz, and 47 GHz Bands for Next-)	
Generation Wireless Services)	AU Docket No. 19-59
)	
Comment Sought on Competitive Bidding)	
Procedures for Auction 103)	
)	

COMMENTS OF AT&T INC.

AT&T Services, Inc., on behalf of the subsidiaries and affiliates of AT&T Inc. (collectively, “AT&T”), hereby submits the following comments in response to the Federal Communications Commission’s (“Commission” or “FCC”) *Auction 103 Procedures Notice*.¹ AT&T applauds the Commission’s persistent efforts to rapidly bring the 37 GHz, 39 GHz, and 47 GHz Upper Microwave Flexible Use Service (“UMFUS”) bands to auction—proceedings that have required the Commission to navigate a complex path between the fair treatment of incumbent license holders and the public benefits of creating the largest and least encumbered inventory of authorizations for next generation 5G mobile services. The *Auction 103 Procedures Notice* continues the Commission’s successful navigation in that regard by building upon prior successful auctions, with reasonable adjustments for the specific bands at issue. Accordingly, AT&T strongly supports virtually all of the Commission’s proposals. AT&T’s comments, in fact, pertain to only a single issue—the requirement that, during the assignment phase, bidders

¹ Incentive Auction of Upper Microwave Flexible Use Service Licenses in the Upper 37 GHz, 39 GHz, and 47 GHz Bands for Next-Generation Wireless Services, Comment Sought on Competitive Bidding Procedures for Auction 103, AU Docket No. 19-59 (rel. Apr. 15, 2019) (“*Auction 103 Procedures Notice*”).

submit bids for all “bidding options,” as opposed to bids only for feasible bidding options.² As discussed below, the requirement that assignment round bids include infeasible options will increase the burden on bidders, especially smaller bidders, without any significant policy benefits.

The *Auction 103 Procedures Notice* builds on the Commission’s substantial experience with respect to spectrum auctions. Although this auction is unique in some key respects, the Commission’s proposals for auction procedures generally follow established processes that are well-known to potential bidders; and the modifications proposed by the FCC that are necessitated by these bands’ unique characteristics—mainly the presence of incumbents and the incentive auction format—are well-reasoned and follow established auction theory. However, in one small respect the procedures continue a mechanism that, even if it was appropriate for the 600 MHz auction, is not appropriate for Auction 103 spectrum: the use of infeasible bidding options in the assignment round to ostensibly protect against gaming the auction.

Specifically, the Commission issued the *Assignment Phase Technical Guide* in connection with the *Auction 103 Procedures Notice*, which contains an extensive description of how the assignment round will be conducted, along with the technical formulas that will be used to process bids.³ In Section 3.1, the *Guide* discusses the “bidding options” available to each participant in the assignment phase, defining that term as “all contiguous assignment options where the number of licenses per PEA is equal to the number of blocks that the winner has won

² Auction 103 Assignment Phase Technical Guide at 4; *available at*: <https://www.fcc.gov/file/15764/download> (last visited May 13, 2019) (“*Assignment Phase Technical Guide*” or “*Guide*”).

³ *Id.*

in the clock phase in that category and assignment phase market.”⁴ The *Guide* goes on to note that “the bidding options of a bidder do not depend on the clock phase winnings of other bidders” and that “[t]he bidding options of a bidder are not limited only to the options that can be won by the bidder, because limiting the bidding options in that way may permit a bidder to infer the clock phase winnings of other bidders.”⁵ In other words, because the assignment options that actually exist could possibly allow an assignment-phase bidder to adjust its bids based on inferences about other bidders from the selection of options available, the bidding system will create every potential assignment option. A similar process was used in the 600 MHz Incentive Auction during the assignment round.⁶

Assignment round bidders should not be presented with infeasible options for several reasons. First, because contiguity is assured to the extent feasible, the only reason a bidder might adjust its bids based on perceptions of other parties’ spectrum positions would be to maximize the potential value of its licenses in the secondary market. That result is not necessarily contrary to public policy, and may in fact provide a tangible benefit to smaller bidders by enhancing their ability to sell their licenses or enter in joint ventures if their license development plans do not materialize as they hope. Second, even if there were a legitimate reason to avoid this potential gaming in the context of the 600 MHz Incentive Auction, that auction included only seven potential license blocks, whereas in the combined 37 GHz/39 GHz band, there is the potential for 24 different license blocks. The added number of possible assignments geometrically increases the number of potential assignments a bidder has if the choices are unconstrained by other

⁴ *Id.* at 4.

⁵ *Id.* at 4-5.

⁶ Application Procedures for Broadcast Incentive Auction Scheduled to Begin on March 29, 2016, AU Docket 14-252, DA 15-1183, App. H, pp. 195-197 (rel. Oct. 15, 2015).

bidders and feasibility. Indeed, the number of potential choices will increase as the number of clock phase winning bids decreases, so the bidders winning the smallest number of licenses will theoretically be faced with the largest number of assignment round choices. This will increase the burden—quite unnecessarily—on all bidders in general and on small bidders in particular. Bidders forced to make difficult pricing decisions between choices that may, in hindsight, not even exist reduces the trust in the market process adopted by the Commission. For these reasons, AT&T urges the Commission to present assignment round bidders only with those options that are feasible potential assignments.

AT&T again commends the Commission for its efforts to appropriately balance the need for added greenfield 5G spectrum and the needs of existing incumbents in the bands at issue. AT&T believes the overall *Auction 103 Procedures Notice* builds upon the Commission's proven track record of successful spectrum auctions, while making appropriate band-specific adjustments needed for the 37, 39 and 47 GHz UMFUS bands. As discussed above, however,

the Commission should adjust the rules in one small respect to avoid requiring assignment round participants to consider strategic options that, in fact, do not exist.

Respectfully Submitted,

AT&T, INC.

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Dated: May 15, 2019